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AMENDED IN SENATE SEPTEMBER 2, 2011  
AMENDED IN SENATE AUGUST 30, 2011  
AMENDED IN SENATE JULY 13, 2011  
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CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

## ASSEMBLY BILL

**No. 56**

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**Introduced by Assembly Member Hill**  
**(Coauthors: Assembly Members Dickinson and Bonnie Lowenthal)**  
~~(Coauthor: Senator Alquist)~~  
*(Coauthors: Senators Alquist and Corbett)*

December 6, 2010

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An act to add Sections 956.5, 957, 958, 958.5, 959, and 969 to the Public Utilities Code, relating to gas corporations.

### LEGISLATIVE COUNSEL'S DIGEST

AB 56, as amended, Hill. Gas corporations: rate recovery and expenditure: intrastate pipeline safety.

(1) Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations,

as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable.

This bill would prohibit a gas corporation from recovering any fine or penalty in any rate approved by the commission. The bill would require a gas corporation to demonstrate to the satisfaction of the commission in its general rate case proceeding that the requested revenue requirements will be sufficient to enable the gas corporation to fund those projects and activities necessary to maintain safe and reliable service and to meet federal and state safety requirements applicable to its gas plant, in a cost-effective manner. The bill would require a gas corporation to file gas transmission and storage safety reports with the commission's consumer protection safety division that include certain matter and require that if the division determines that there is a deficiency in a gas corporation's prioritization or administration of the storage or pipeline capital projects or operation and maintenance activities, to bring the deficiency to the commission's immediate attention.

This bill would require the commission, in any ratemaking proceeding in which the commission authorizes a gas corporation to recover expenses for a federal transmission pipeline integrity management program, or for related capital expenditures for the maintenance and repair of transmission pipelines, to require the gas corporation to establish and maintain a balancing account for the recovery of those expenses. This provision would not become operative if SB 879 is enacted and becomes effective on or before January 1, 2012, and SB 879 enacts an identical provision.

(2) The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or service to be furnished, imposed, observed, and followed by specified public utilities, including gas corporations.

Existing federal law requires the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to adopt minimum safety standards for pipeline transportation and for pipeline facilities, including an interstate gas pipeline facility and intrastate gas pipeline facility, as defined. Existing law authorizes the Secretary of Transportation to prescribe or enforce safety standards and practices for an intrastate pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that submits to the secretary annually a

certification for the facilities and transportation or alternatively authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing law prohibits a state authority from adopting or continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation. Existing law authorizes a state authority that has submitted a current certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

This bill would require owners and operators of intrastate transmission and distribution lines for natural gas, at least once each calendar year, to meet with each local fire department having fire suppression responsibilities in the area where those lines are located to discuss and review contingency plans for emergencies involving the intrastate transmission and distribution lines within the jurisdiction of the local fire department. The bill would require the commission, unless it determines that doing so is preempted under federal law, to require the installation of automatic shutoff or remote controlled sectionalized block valves on certain intrastate transmission lines, as specified. The bill would require each gas corporation to prepare and submit to the commission a proposed comprehensive pressure testing implementation plan that includes specified elements and require that, at the conclusion of an implementation period, all intrastate transmission line segments meet specified requirements.

(3) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 956.5 is added to the Public Utilities  
2     Code, to read:

3     956.5. Owners and operators of intrastate transmission and  
4     distribution lines, at least once each calendar year, shall meet with  
5     each local fire department having fire suppression responsibilities  
6     in the area where those lines are located to discuss and review  
7     contingency plans for emergencies involving the intrastate  
8     transmission and distribution lines within the jurisdiction of the  
9     local fire department.

10    SEC. 2. Section 957 is added to the Public Utilities Code, to  
11    read:

12    957. (a) (1) Unless the commission determines that it is  
13    prohibited from doing so by Section 60104(c) of Title 49 of the  
14    United States Code, the commission shall require the installation  
15    of automatic shutoff or remote controlled sectionalized block valves  
16    on both of the following facilities, if it determines those valves are  
17    necessary for the protection of the public:

18    (A) Intrastate transmission lines that are located in a high  
19    consequence area.

20    (B) Intrastate transmission lines that traverse an active seismic  
21    earthquake fault.

22    (2) Each owner or operator of a commission-regulated gas  
23    pipeline facility that is an intrastate transmission line shall provide  
24    the commission with a valve location plan, along with any  
25    recommendations for valve locations. The commission may make  
26    modifications to the valve location plan or provide for variations  
27    from any location requirements adopted by the commission  
28    pursuant to this section that it deems necessary or appropriate and  
29    consistent with protection of the public.

30    (3) The commission shall additionally establish action timelines,  
31    adopt standards for how to prioritize installation of automatic  
32    shutoff or remote controlled sectionalized block valves pursuant  
33    to paragraph (1), ensure that remote and automatic shutoff valves  
34    are installed as quickly as is reasonably possible, and establish  
35    ongoing procedures for monitoring progress in achieving the  
36    requirements of this section.

1 (b) The commission shall authorize recovery in rates for all  
2 reasonably incurred costs incurred for implementation of the  
3 requirements of this section.

4 (c) The commission, in consultation with the Pipeline and  
5 Hazardous Materials Safety Administration of the United States  
6 Department of Transportation, shall adopt and enforce compatible  
7 safety standards for commission-regulated gas pipeline facilities  
8 that the commission determines should be adopted to implement  
9 the requirements of this section.

10 SEC. 3. Section 958 is added to the Public Utilities Code, to  
11 read:

12 958. (a) Each gas corporation shall prepare and submit to the  
13 commission a proposed comprehensive pressure testing  
14 implementation plan for all intrastate transmission lines to either  
15 pressure test those lines or to replace all segments of intrastate  
16 transmission lines that were not pressure tested or that lack  
17 sufficient details related to performance of pressure testing. The  
18 comprehensive pressure testing implementation plan shall provide  
19 for testing or replacing all intrastate transmission lines as soon as  
20 practicable. The comprehensive pressure testing implementation  
21 plan shall set forth criteria on which pipeline segments were  
22 identified for replacement instead of pressure testing.

23 (b) The comprehensive pressure testing implementation plan  
24 shall include a timeline for completion that is as soon as  
25 practicable, and includes interim safety enhancement measures,  
26 including increased patrols and leak surveys, pressure reductions,  
27 prioritization of pressure testing for critical pipelines that must run  
28 at or near maximum allowable operating pressure values that result  
29 in hoop stress levels at or above 30 percent of specified minimum  
30 yield stress, and any other measure that the commission determines  
31 will enhance public safety during the implementation period.  
32 Engineering-based assumptions may be used to determine  
33 maximum allowable operating pressure in the absence of complete  
34 records, but only as an interim measure until such time as all the  
35 lines have been tested or replaced, in order to allow the gas system  
36 to continue to operate.

37 (c) At the completion of the implementation period, all  
38 California natural gas intrastate transmission line segments ~~shall,~~  
39 ~~where warranted, be capable of accommodating in-line inspection~~  
40 ~~devices and meet either~~ *shall meet all* of the following:

1 (1) Have been pressure tested.

2 (2) Have traceable, verifiable, and complete records readily  
3 available.

4 (3) *Where warranted, be capable of accommodating in-line*  
5 *inspection devices.*

6 SEC. 4. Section 958.5 is added to the Public Utilities Code, to  
7 read:

8 958.5. (a) Twice a year, or as determined by the commission,  
9 each gas corporation shall file with the commission's consumer  
10 protection safety division a gas transmission and storage safety  
11 report. The consumer protection safety division shall review the  
12 reports to monitor each gas corporation's storage and  
13 pipeline-related activities to assess whether the projects that have  
14 been identified as high risk are being carried out, and to track  
15 whether the gas corporation is spending its allocated funds on these  
16 storage and pipeline-related safety, reliability, and integrity  
17 activities for which they have received approval from the  
18 commission.

19 (b) The gas transmission and storage safety report shall include  
20 a thorough description and explanation of the strategic planning  
21 and decisionmaking approach used to determine and rank the gas  
22 storage projects, intrastate transmission line safety, integrity, and  
23 reliability, operation and maintenance activities, and inspections  
24 of its intrastate transmission lines. If there has been no change in  
25 the gas corporation's approach for determining and ranking which  
26 projects and activities are prioritized since the previous gas  
27 transmission and storage safety report, the subsequent report may  
28 reference the immediately preceding report.

29 (c) If the commission's consumer protection safety division  
30 determines that there is a deficiency in a gas corporation's  
31 prioritization or administration of the storage or pipeline capital  
32 projects or operation and maintenance activities, the division shall  
33 bring the problems to the commission's immediate attention.

34 SEC. 5. Section 959 is added to the Public Utilities Code, to  
35 read:

36 959. (a) A gas corporation shall not recover any fine or penalty  
37 in any rate approved by the commission.

38 (b) Each gas corporation shall demonstrate to the satisfaction  
39 of the commission, in its general rate case proceeding, that the  
40 requested revenue requirements will be sufficient to enable the

1 gas corporation to fund those projects and activities necessary to  
2 maintain safe and reliable service and to meet federal and state  
3 safety requirements applicable to its gas plant, in a cost-effective  
4 manner.

5 SEC. 6. Section 969 is added to the Public Utilities Code, to  
6 read:

7 969. In any ratemaking proceeding in which the commission  
8 authorizes a gas corporation to recover expenses for the gas  
9 corporation's transmission pipeline integrity management program  
10 established pursuant to Subpart O (commencing with Section  
11 192.901) of Part 192 of Title 49 of the United States Code or  
12 related capital expenditures for the maintenance and repair of  
13 transmission pipelines, the commission shall require the gas  
14 corporation to establish and maintain a balancing account for the  
15 recovery of those expenses. Any unspent moneys in the balancing  
16 account in the form of an accumulated account balance at the end  
17 of each rate case cycle, plus interest, shall be returned to ratepayers  
18 through a true-up filing. Nothing in this section is intended to  
19 interfere with the commission's discretion to establish a two-way  
20 balancing account.

21 SEC. 7. Section 6 of this bill shall not become operative if this  
22 bill and Senate Bill 879 are both enacted and become effective on  
23 or before January 1, 2012, and Senate Bill 879 adds Section 969  
24 to the Public Utilities Code.

25 SEC. 8. No reimbursement is required by this act pursuant to  
26 Section 6 of Article XIII B of the California Constitution because  
27 the only costs that may be incurred by a local agency or school  
28 district will be incurred because this act creates a new crime or  
29 infraction, eliminates a crime or infraction, or changes the penalty  
30 for a crime or infraction, within the meaning of Section 17556 of  
31 the Government Code, or changes the definition of a crime within  
32 the meaning of Section 6 of Article XIII B of the California  
33 Constitution.